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TAGS: [EFIN](#) [KIPR](#) [ETRD](#) [ECPS](#) [PGOV](#) [FR](#)  
SUBJECT: FRENCH ECONOMIC ADVISOR ON IPR AND ECONOMIC  
PATRIOTISM POLICIES

REF: REF: A) PARIS 3153 B) PARIS 357

Classified By: Economic Minister Counselor Thomas J. White, reasons 1.4

B & D

¶1. (C) SUMMARY: The GOF,s economic advisor assured U/S Shiner on May 18 that the GOF would take US views into consideration as it shepherds its digital copyright bill through Parliament. He defended the GOF,s &economic patriotism8 policy shielding French firms from foreign investment, but invited the USG to engage US firms with France to explain its continued openness to investment, and suggested that the true threat ) investment from authoritarian non-market oriented economies ) should be taken up in the G7 context. END SUMMARY

¶2. (SBU) In a meeting with Alain Demarolle, Economic Advisor for Prime Minister Villepin, Under Secretary for Economic, Business and Agricultural Affairs Josette Shiner recognized that the vast majority of trade and investment flows pass without incident, but expressed concern that Europe faces a situation akin to that faced before WWI, where views about globalization tipped and markets grinded to a halt. Demarolle welcomed the meeting, seeing it as a way to clear up misunderstanding about the French positions on economic patriotism and intellectual property rights (IPR).

#### IPR LEGISLATION

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¶3. (C) On the digital copyright bill wending its way through the French legislature (ref A), which could alter IPR protection, Demarolle mentioned having been subjected to fierce lobbying pressure. He contended one thing that has not figured in the debate at all is a desire to protect French industry. The GOF does, however, face two constraints. First is the current sensitivity toward young people. Downloading music is, after all, mostly done by young people. Following the massive demonstrations by youths against the CPE labor reform proposals, the GOF is cautious about re-igniting passions. The other constraint Demarolle mentioned is the domestic artistic industry ) he argued without further explanation that that is more of a cultural issue since French industry is not organized like the US movie and music industries.

¶4. (C) The U/S countered that IPR protection is a global

battle, and the internet provides a vector for IPR theft that goes far beyond the entertainment industry. She cited several examples of the economic havoc caused by slack enforcement, and said it would be unfortunate for France to have the most lax laws among industrialized countries, underlining that it would send a terrible signal to China. The reference to China caught Demarolle's attention, and he ended by assuring U/S Shiner that France is open to suggestions from the USG, and that the GOF will pass a bill that balances all interests.

#### ECONOMIC PATRIOTISM & FOREIGN INVESTMENT

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¶5. (SBU) Turning to the treatment of foreign investment, Demarolle claimed that the problem is simply one of miscommunication. Statistically speaking, he said the number of government interventions has been extremely small ) France has only intervened in two cases in the last decade. He commented that the new GOF decree shielding strategic sectors (ref B) was sparked by the interest of a US company in making an acquisition in a strategic industry.

¶6. (SBU) Demarolle proceeded to sketch an overview of the new decree, saying the 11 protected sectors in the decree can be lumped into one of three categories, namely defense, public health and national security, or to look at it another way, the decree only affects 5 out of every 50,000 investments. The process is important to consider as well, since consent is assumed if the GOF fails to respond after two months to an investment proposal, and since the decree is proportional to the GOF interest, allowing spin-offs of parts of companies if needed.

¶7. (C) Demarolle asserted the new decree is much more relaxed than the Exon-Florio/CFIUS rules in the US, but France had

badly publicized it. Again, cultural issues are key ) the French people expect more from their government, and expect the GOF to speak out about what in other countries are only business transactions. He noted that for the merger of Gaz de France and Suez, a poll showed 85 percent of the French public support the government-initiated (as majority shareholder) action, since the public appreciates the GOF is acting to protect energy security. He added that the GOF has privatized over 30 billion euros worth of enterprises, even though privatization is hugely unpopular in France. France even is privatizing its airport operator, which he said the USG would never let happen under current circumstances. He urged us to ignore the public speeches and concentrate on what the GOF is actually doing; the speeches are for internal consumption only. The French are not going to change their distrust of capitalism overnight.

¶8. (C) Demarolle made two proposals to the U/S. First, he suggested seeking ways to communicate better. He noted that the GOF has not done very much with US CEOs, and offered to work with the Embassy to arrange some events, to allay business concerns. Second, he argued that the true danger of takeovers comes from authoritarian non-capitalist-oriented economies (mentioning specifically China Star's interest in refining capacity and French firms like Rhodia, and discounting concern about Mittal Steel's hostile offer for Arcelor, characterizing it as respectable, even if hostile). He suggested this may be an issue to take up in the G7, as it is a threat common to all, and the industrialized non-authoritarian market-oriented economies should decide what to do about it.

¶9. (U) Demarolle took the opportunity to introduce U/S Shiner to the Prime Minister's economic policy team, including to Clara Gaymard, the head of the Invest in France Agency.

¶10. (U) This cable was cleared by U/S Shiner. Please visit Paris' Classified Website at:  
<http://www.state.sgov.gov/p/eur/paris/index.cfm>

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